

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
Docket No. 2000-366-A

In Re:	Application of Chem-Nuclear Systems, LLC,)	
	a Division of Duratek, Inc. for Adjustment)	SETTLEMENT
	in the Levels of Allowable Costs and for)	AGREEMENT
	Identification of Allowable Costs (FY 2009-2010))		

This Settlement Agreement is made by and between Chem-Nuclear Systems, LLC, a division of Duratek, Inc. ("Chem-Nuclear" or "Company"), and the South Carolina Office of Regulatory Staff ("ORS") with respect to the Application and Amended Application of Chem-Nuclear Systems, LLC, for Fiscal Year 2009-2010 ("Amended Application") pending before the Public Service Commission of South Carolina ("Commission") in Docket No. 2000-366-A.

WHEREAS, the Company filed an Application, dated September 24, 2009, ("Application") in this docket by which Chem-Nuclear requested the Commission to identify certain "allowable costs" for the Company's fiscal years 2008-2009 and 2009-2010, in accordance with the provisions of S.C. Code Ann. § 48-46-10, et seq. (Rev. 2008), and with the Commission's rules and regulations; and

WHEREAS, ORS conducted an examination of the allowable costs to be identified and recovered in Chem-Nuclear's Application; and

WHEREAS, Chem-Nuclear filed an Amended Application, dated March 18, 2010, in this docket in accordance with S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2009) and the Commission's rules and regulations; and

WHEREAS, the Company's Amended Application resolved the concerns of the ORS pursuant to its examination; and

WHEREAS, on March 18, 2010, the Prefiled Direct Testimony of James W. Latham was filed on behalf of Chem-Nuclear reflecting the position of the Company as contained in its Amended Application; and

WHEREAS, the Report of ORS Auditor, Daniel Sullivan, of the review and examination of Chem-Nuclear's Application and Amended Application, dated March 23, 2010 ("Report"), is attached to this Agreement and incorporated by reference ("Attachment A"); and

WHEREAS such Report summarizes the Company's Amended Application and concurs with the request of the Company as contained in the Amended Application; and

WHEREAS, Chem-Nuclear and ORS believe that it is in their best interests and those of the State of South Carolina to enter into a Settlement Agreement relating to this matter in order to avoid the additional expense which the litigation of their positions would occasion in this proceeding.


WHEREFORE, ORS and Chem-Nuclear enter into this Agreement on the following terms:

1. The Company and ORS agree to the Actual Costs of Fiscal Year 2008-2009, including fixed costs, irregular costs, variable labor and non-labor costs and vault costs as specified in Chem-Nuclear's Amended Application.
2. Chem-Nuclear and ORS agree on the calculation of projected costs for Fiscal Year 2009-2010 as specified in Chem-Nuclear's Amended Application.
3. ORS and the Company agree that the Prefiled Direct Testimony of James W. Latham accurately reflects the agreed upon positions of the Company and ORS in this matter.
4. ORS and Chem-Nuclear agree that James W. Latham will present testimony at the hearing in this matter consistent with his prefiled direct testimony, the Amended

Application and the terms of this Settlement Agreement.

5. Upon execution of this Settlement Agreement, Chem-Nuclear will file an original of this Settlement Agreement with the Commission and serve a copy of it upon all parties of record in SCPSC Docket No. 2000-366-A.
6. The Company and ORS agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then the Company or ORS may withdraw from the Settlement Agreement without penalty.
7. This agreement shall be interpreted according to South Carolina law.
8. Chem-Nuclear and ORS acknowledge consent and agreement to this Settlement Agreement by authorizing their respective counsel to affix his or her signature to this document where indicated below. Counsel's signature constitutes a representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.


**Representing and binding the
Office of Regulatory Staff:**



Jeffrey M. Nelson, Esquire
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, South Carolina 29201
Phone: (803) 737-0823
Fax: (803) 737-0895
Email: jnelson@regstaff.sc.gov

March 22, 2010

**Representing and binding Chem-Nuclear
Systems, LLC, a Division of Duratek, Inc.:**



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March 22, 2010

WE AGREE:

Representing and binding South Carolina Electric & Gas Company



K. Chad Burgess, Esquire

South Carolina Electric & Gas Company

MC C222

220 Operation Way

Cayce, SC 29033-3701

Phone: (803) 217-8141

Fax: (803) 217-7931

Email: chad.burgess@scana.com

Appl.

~~March~~ 15, 2010

WE AGREE:

Representing and binding Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc.

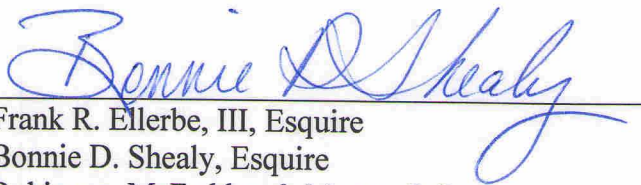


Len S. Anthony, Esquire
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~~April~~
March 13, 2010

WE AGREE:

Representing and binding Duke Energy Carolinas



Frank R. Ellerbe, III, Esquire

Bonnie D. Shealy, Esquire

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April 8, 2010

C. DUKES SCOTT
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DAN F. ARNETT
CHIEF OF STAFF

JAY R. JASHINSKY, CPA
DIRECTOR OF AUDITING

SOUTH CAROLINA OFFICE OF REGULATORY STAFF

EXAMINATION REPORT FOR DOCKET NO. 2000-366-A

THE APPLICATION OF CHEM-NUCLEAR SYSTEMS, LLC, A SUBSIDIARY OF DURATEK, INC., FOR ADJUSTMENT IN THE LEVELS OF ALLOWABLE COSTS AND FOR IDENTIFICATION OF ALLOWABLE COSTS

On September 24, 2009, Chem-Nuclear Systems, LLC ("Chem-Nuclear") filed an application for Adjustment in the Levels of Allowable Costs for the Fiscal Year Ending June 30, 2009 and for Identification of Allowable Costs for Fiscal Year Ending June 30, 2010, pursuant to Public Service Commission of South Carolina ("PSC" or "Commission") Order No. 2009-371 in Docket No. 2000-366-A.

Effective July 1, 2008, Pursuant to S.C. Code Ann. § 48-46-40-(A)(6)(a), (Supp. 2009), Chem-Nuclear can only accept waste generated within the three Atlantic Compact states, South Carolina, New Jersey and Connecticut. Additionally, since July 1, 2008, Chem-Nuclear commenced site closure ("institutional") activities parallel to its site disposal operating ("operational") activities. These institutional costs include site maintenance, monitoring, security, other administrative expenses and license costs, and are paid from the Barnwell Decommissioning Trust Fund each year. Remaining reimbursable costs are included as operating costs in Chem-Nuclear's application for reimbursement filed with the Public Service Commission.

The South Carolina Office of Regulatory Staff ("ORS") completed an examination of the application and the underlying financial records of Chem-Nuclear for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. Based on the work performed, ORS determined that reimbursable amounts included for Fixed costs, Variable costs and Irregular costs for fiscal year ended June 30, 2009 on the Application are materially correct and conform to South Carolina Public Service Commission Rules and Regulations. Therefore, no adjustments are proposed by ORS for the fiscal year ended June 30, 2009.

A comparison of the allowable reimbursements to the amounts authorized by the PSC in Order No. 2009-371 dated June 18, 2009, was prepared by ORS Audit Staff. This comparison is attached herewith as Exhibit A. As shown on Exhibit A, ORS recommends that Chem-Nuclear be allowed to retain, as recovery of their expenditures in operating the Barnwell Low Level Radioactive Waste Storage Facility for the fiscal year ended June 30, 2009, the following:

- \$2,838,898 in Fixed Costs,
- \$653,922 in Variable Costs and
- \$360,593 in Irregular Costs

In conjunction with procedures performed for fiscal year ended June 30, 2009, ORS also examined transactions recorded by Chem-Nuclear for the period beginning July 1, 2009, and extending through December 31, 2009. Based on this examination, ORS recommended adjustments to Chem-Nuclear's Projected Fixed costs for the fiscal year ending June 30, 2010. These adjustments were discussed with members of Chem-Nuclear's management who agreed with their propriety. Projected Irregular costs for the fiscal year ending June 30, 2010 appeared reasonable. ORS also calculated actual Variable cost rates for the fiscal year ending June 30, 2010 as listed in Exhibit AA, which are consistent with the rates filed in the Amended Application by Chem-Nuclear.



Daniel Sullivan, Auditor
March 23, 2010

Chem-Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2009

Exhibit A
Page 1 of 2

	Per Amended Application	Commission Order No. 2009-371	Actual Costs Over (Under) Commission Allowed
<u>Fixed Costs</u>			
Labor, Fringe and Non-Labor	\$ 1,292,726	\$ 1,000,000	\$ 292,726
Corporate Allocations (G&A)	563,563	500,000	63,563
Equipment Leases and Support	313,713	400,000	(86,287)
Depreciation	154,407	188,000	(33,593)
Insurance	458,425	448,000	10,425
Legal (License Appeal)	56,064	25,000	31,064
Total Fixed Costs	\$ 2,838,898	\$ 2,561,000	\$ 277,898
<u>Variable Costs</u>			
Vault Cost	\$ 500,401	\$ 499,610	\$ 791
Labor and Non-Labor Costs	153,521	209,756	(56,235)
Total Variable Expenses	\$ 653,922	\$ 709,366	\$ (55,444)

Chem-Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2009

Exhibit A
Page 2 of 2

	<u>Per Amended Application</u>	<u>Commission Order No. 2009-371</u>	<u>Actual Costs Over (Under) Commission Allowed</u>
<u>Irregular Costs</u>			
Various Trenches (Design, Construct, and Backfill)			
Labor	2,551		
Non-Labor	68,709		
Total	<u>\$ 71,260</u>	<u>\$ 40,000</u>	<u>\$ 31,260</u>
License Renewal and Appeal Costs			
Labor	9,189		
Non-Labor	382		
Total	<u>9,571</u>	<u>5,000</u>	<u>4,571</u>
Decontamination & Corrective Actions			
Labor	1,533		
Non-Labor	6,474		
Total	<u>8,007</u>	<u>-</u>	<u>8,007</u>
Site Engineering and Drawings Updates			
Labor	334		
Non-Labor	2,643		
Total	<u>2,977</u>	<u>3,000</u>	<u>(23)</u>
Site Assessments			
Labor	1,509		
Non-Labor	2,842		
Total	<u>4,351</u>	<u>30,000</u>	<u>(25,649)</u>
Severance Pay			
Labor	8,589		
Non-Labor	178,750		
Total	<u>187,339</u>	<u>300,000</u>	<u>(112,661)</u>
Other Irregular Costs			
Labor	28,791		
Non-Labor	9,974		
Total	<u>38,765</u>	<u>1,000</u>	<u>37,765</u>
Puncture Stand Relocation			
Labor	18,536		
Non-Labor	2,437		
Total	<u>20,973</u>	<u>-</u>	<u>20,973</u>
Increased Security Controls			
Labor	-		
Non-Labor	17,350		
Total	<u>17,350</u>	<u>10,000</u>	<u>7,350</u>
Total Irregular Costs	<u><u>\$ 360,593</u></u>	<u><u>\$ 389,000</u></u>	<u><u>\$ (28,407)</u></u>

Chem-Nuclear Systems, LLC
Proposed Fixed, Irregular and Variable Costs
For the Fiscal Year Ending June 30, 2010 To Date

Exhibit AA
Page 1 of 2

	<u>Per Amended Application</u>	<u>Actual Through 12/31/2009</u>	<u>Difference</u>
FIXED COSTS			
Fixed Costs to which 29% operating margin is added:			
Labor, Fringe and Non-Labor	\$ 1,318,581	\$ 567,251	\$ 751,330
Corporate Allocations (Management Fees/G&A)	574,834	121,465	453,369
Depreciation	71,475	35,737	35,738
Insurance	384,518	192,259	192,259
Equipment Leases and Support	116,255	58,128	58,127
Total Margin Costs	<u>2,465,663</u>	<u>974,840</u>	<u>1,490,823</u>
Fixed Costs to which 29% operating margin is not added:			
Legal Support (license appeal)	<u>167,000</u>	<u>111,677</u>	<u>55,323</u>
Total Non-margin Costs	<u>167,000</u>	<u>111,677</u>	<u>55,323</u>
Total Fixed Costs	<u>\$ 2,632,663</u>	<u>\$ 1,086,517</u>	<u>\$ 1,546,146</u>

IRREGULAR COSTS			
Trench Construction	\$ 30,000	\$ 13,940	\$ 16,060
License Appeal	10,000	1,021	8,979
Corrective Action	5,000	14,501	(9,501)
Site Engineering Drawings	3,000	927	2,073
Site Assessments	5,000	1,081	3,919
Miscellaneous	5,000	(3,195)	8,195
Increased Security Controls	20,000	2,247	17,753
Severance Pay	75,000	60,869	14,131
Puncture Stand Relocation	<u>-</u>	<u>36</u>	<u>(36)</u>
Total Irregular Costs	<u>\$ 153,000</u>	<u>\$ 91,427</u>	<u>\$ 61,573</u>

Chem-Nuclear Systems, LLC
Proposed Fixed, Irregular and Variable Costs
For the Fiscal Year Ending June 30, 2010 To Date

Exhibit AA

Page 2 of 2

VARIABLE RATES

	<u>Costs</u>	<u>Variable Factor</u>
Variable Labor and Non-Labor Rates		
Vault Purchase & Inspection	\$ <u>77.43</u>	Per Vault
A B C Waste Disposal	<u>1,854.92</u>	Per Shipment
Slit Trench Shipment	<u>6,696.69</u>	Per Offload
Customer Assistance	<u>45.34</u>	Per Shipment
Trench Records	<u>124.06</u>	Per Container
Variable Material Cost Rates (Vaults)		
Class A Waste	\$ <u>39.03</u>	Per Cubic Foot
Class B Waste	<u>40.44</u>	Per Cubic Foot
Class C Waste	<u>41.30</u>	Per Cubic Foot
Slit Trench Waste	<u>184.54</u>	Per Cubic Foot